

# Ulster Bank CONSTRUCTION PMI

The first indicator of Irish construction industry business conditions each month

## News Release

### Activity expanded at strong pace in May. Employment growth sharpest for sixteen months.

Irish constructors continued to record a strong rate of activity expansion in May. Moreover, the **Ulster Bank Construction Purchasing Managers' Index® (PMI®)** – a seasonally adjusted index designed to measure the overall performance of the construction economy – suggested the pace of growth picked up, posting 58.1, from 57.2 in April. More than 27% of firms indicated that activity had risen since the previous month, compared to less than 9% that noted a decline. Anecdotal evidence suggested activity increased in response to growth of new business.

Commenting on the survey, Pat McArdle, Chief Economist at Ulster Bank, noted that:

*"In broad terms, construction continues to expand at a pace equal to last year's average. In May it bounced back from the slightly weaker readings in the previous two months. To-date in 2006, civil engineering has expanded at a pace that is faster than in any of the preceding five years. The May index of civil activity was the lowest this year and tallies with Exchequer capital spending which also slowed in May – however we expect this to be temporary. Housing continues to grow at a steady pace and commercial, which bounced in May, is holding up well, albeit at a somewhat slower gait than in recent years."*

*The most surprising aspect of the May PMI was employment. Though still adding jobs, the rate of increase had slowed steadily over the past 16 months. This trend reversed in May when employment rose at the fastest pace since January 2005. This was in response to several months of strong new orders. It may not last, however, as delivery times, which had been steadily lengthening, are now back to normal."*

#### Commercial activity expanded at sharpest pace

For the tenth month in a row, activity rose in all three of the construction areas monitored by the survey. Commercial activity expanded at the sharpest pace, following an acceleration in the rate of growth. The increases in civil engineering and housing activity were robust, although less marked than in April.

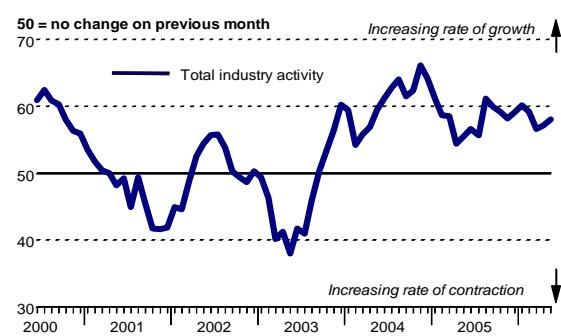
#### Latest Construction PMI readings

	Apr'06	May
<b>Total Activity</b>	<b>57.2</b>	<b>58.1</b>
Housing Activity	56.6	56.4
Commercial Activity	55.5	58.5
Civil Engineering Activity	58.7	56.5

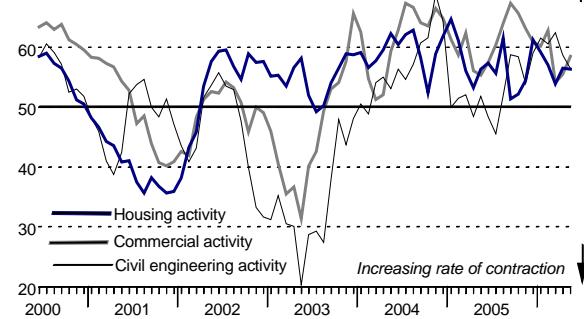
*Index readings above 50 signal an increase in activity on the previous month and reading below 50 signal a decrease. All indexes given above and displayed in the charts are seasonally adjusted.*

*Source: NTC Economics Ltd.*

#### Construction activity



#### Housing activity



## New order growth remained sharp

Strong growth of overall activity was supported by a sharp rise in the level of new orders received in May. Firms linked the rise in new business to an improvement in underlying demand. New work has now increased in each month since September 2003. Firms indicated that expansion into new markets also led to new order growth.

## Employment growth strongest since January 2005

Greater new order volumes led Irish constructors to expand their workforces at the sharpest pace for sixteen months in May. Around 28% of firms indicated that staffing levels had increased, and employment has now risen for thirty-three consecutive months. Firms commented that staff were also hired as part of efforts to attract new business.

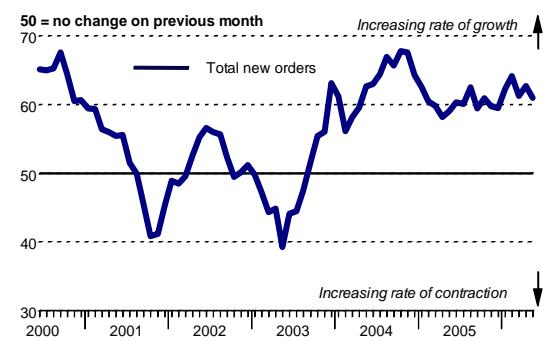
## Input price pressures intensified

The rate of input cost inflation faced by Irish construction firms remained sharp in May. More than a third of firms reported that input prices had increased since the previous month. Firms particularly mentioned the rising costs of steel and fuel.

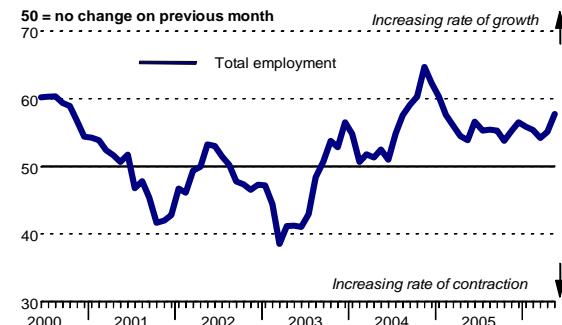
## High level of optimism maintained

Firms in the Irish construction sector maintained a positive outlook regarding the prospects for activity in twelve months' time. Confidence increased since April, with optimism stemming from recent new order growth and business expansion plans.

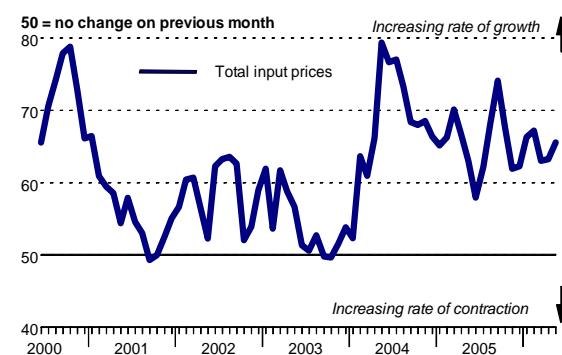
## New business



## Employment



## Input Prices



*Index readings above 50 signal an increase in activity on the previous month and reading below 50 signal a decrease.*

*Source: NTC Economics Ltd.*

## Press information

For further information please contact Pat McArdle, Chief Economist, on 00 353 1 608 4060 or email [pat.mcardle@ulsterbank.com](mailto:pat.mcardle@ulsterbank.com)

**Purchasing Managers' Indexes** (or PMIs) are monthly surveys of carefully selected companies which provide an advance indication of what is happening in the private sector economy by tracking variables such as output, new orders, employment and prices across both manufacturing and service sectors. The PMI surveys are based on fact, not opinion, and are the first indicators of economic conditions each month. The data are collected using identical methods in all countries and regions so that accurate comparisons may be made. Questionnaires are completed in the latter half of each month and are collected and processed by economists at NTC Economics. Respondents are asked to state whether business conditions for a number of variables have improved, deteriorated or stayed the same compared with the previous month.

**Ulster Bank Ireland Limited**, Registered in Republic of Ireland No 25766  
Registered Office: Ulster Bank Group Centre, George's Quay, Dublin 2  
Ulster Bank Ireland Limited is regulated by the Irish Financial Services Regulatory Authority.  
Calls may be recorded.

**NTC Economics** is one of the world's largest specialist providers of business research information, operating business surveys on behalf of many blue chip clients. Current research includes continuous surveys providing original data on economic conditions in the UK, Germany, France, Italy, Spain, Netherlands, Austria, Ireland, Greece, Russia, Poland, the Czech Republic, India, Hong Kong and China. NTC surveys are widely used by governments, businesses and financial markets. Please visit [www.ntceconomics.com](http://www.ntceconomics.com) for further information.

**The Ulster Bank Construction PMI is issued exclusively for the general information of clients, contacts and staff of Ulster Bank. The contents are not a substitute for specific advice and should not be relied upon as such. Accordingly, whilst every care has been taken in the preparation of this publication, no representation or warranty is made or given in respect of its contents and no responsibility is accepted for the consequences of any reliance placed on it by any person.**

**© Copyright material of NTC Economics Limited. Distribution or storage including databasing by any means including, without limitation, electronic distribution is not permitted without the prior consent of NTC. PMI and Purchasing Managers' Index are registered trademarks of NTC Economics Limited.**